

ITEM NO. 6

STAFF REPORT

DATE: DECEMBER 20, 2011
TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: ROD FOSTER, CITY MANAGER
PREPARED BY: BONNIE JOHNSON, MANAGEMENT SERVICES DIRECTOR
SUBJECT: WITHDRAWAL FROM INDEPENDENT CITIES RISK
MANAGEMENT AUTHORITY(ICRMA) LIABILITY PROGRAM

RECOMMENDED ACTION

It is recommended that the City Council adopt Resolution No.104-11 advising ICRMA of the City's intent to cancel its membership in the ICRMA Liability (general liability insurance) Program.

GOAL STATEMENT

The proposed action will allow the City of Colton to obtain general liability insurance tailored specifically to the City's unique risk and environmental factors, as well as save scarce budget dollars.

BACKGROUND

The City of Colton has been a member in good standing of ICRMA for 24 years. The ICRMA Joint Powers Authority was formed at a time when cities, as individual entities, had difficulty obtaining competitive rates for excess liability, excess workers' compensation, property, employee benefits, and special events coverages. The City of Colton participates in the pool's general liability program and maintains other required insurance(s) through multiple carriers.

ISSUES/ANALYSIS

Over the years, the City of Colton has established an excellent reputation for risk avoidance and cost containment in the insurance marketplace. Because of its established track record the City was able to realize significant savings (15.5% reduction) on renewal rates for FY 2011-12 on its property, excess workers' compensation, and automobile insurance policies. The City's net cost for coverage on the pooled general liability policy with ICRMA was \$397,152 for 2011-12. Staff's initial conservative estimates for independent general liability coverage for the City outside of ICRMA are between \$335,000 and \$380,000; an annual reduction of between 4.5% and 15.5%. In addition, over the past two years, ICRMA has increased the pool's SIR from \$1 million to \$3 million, therefore, exposing members to significantly more risk while the premium has continued to increase.

Furthermore, other benefits of independent coverage include not sharing in the liabilities of other cities, securing competitive pricing based upon the City's own claims history, as well as being able to tailor the City's coverage to better fit our specific needs.

Staff is proposing this action as a means to ensure that the City stays competitive in the overall insurance market, as well as a means to save scarce budget dollars. Staff will be reviewing alternatives from the private insurance market and other competing liability insurance pools/JPsAs. The private insurance market has historically seen price volatility; however, over the past few years rates have come down significantly. Additionally, the private insurance market can prove to be a tad more aggressive in coverage disputes and potentially cancelling coverage. On point, the City is seen, as the result of the Council's commitment to conservative risk management, as an outstanding organization specifically from a risk avoidance/rating perspective. As such, staff will review all options in both public sector insurance pools and the private insurance market in order to bring the Council options for consideration. There is a potential that ICRMA may be the best option for the City. If that proves to be the case, then staff will approach ICRMA on the process to "opt-back-in" to the pool.

In order to pursue alternate insurance coverage the City is required to notify ICRMA, by Council Resolution, of its intent to withdraw from the Pool no later than January 15, 2012.

FISCAL IMPACTS

Approval of this recommendation will result in estimated cost savings of potentially as much as \$62,000 annually. The funding for the City's required insurance coverages will be included in the City's future annual budgets.

ALTERNATIVES

1. Remain in ICRMA for liability coverage.
2. Provide alternative direction to staff.

ATTACHMENTS

Resolution No. 104-11

RESOLUTION NO. R-104-11

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLTON DECLARING INTENT TO WITHDRAW FROM THE INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY (ICRMA) LIABILITY PROGRAM

WHEREAS, The ICRMA Joint Powers Authority provides a variety of pooled insurance products to its member cities; and,

WHEREAS, the City of Colton is currently a ICRMA Governing Board Member and participant city in the ICRMA Liability Program; and,

WHEREAS, the bylaws of the ICRMA Liability Program establish the guidelines for participation in the liability program and further provides guidelines for withdrawal from the program; and,

WHEREAS, the City of Colton has determined it is more cost effective to procure liability insurance products independent of ICRMA ; and,

WHEREAS, the City of Colton desires to seek and bind its own independent liability insurance products; and,

WHEREAS, ICRMA Liability Program guidelines require a member city to provide five months prior notification of intent to withdraw from the liability program.

THEREFORE, BE IT RESOLVED, the City Council of the City of Colton does hereby declare their intent to withdraw from the Independent Cities Risk Management Authority Joint Powers Authority at the end of the current membership period.

APPROVED and ADOPTED this 20th day of December, 2011.

Sarah S. Zamora, Mayor

ATTEST:

Eileen C. Gomez, City Clerk